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Year: 2014

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## **Launching and implementing municipal mergers: push- and pull-factors in merger processes**

Strebel, Michael A

**Abstract:** Voluntary mergers of local jurisdictions in Europe gained in importance in the last two decades. Existing research pays only minor attention to the local structural determinants for the explanation of municipal mergers. The paper assesses determinants in two distinct phases of a merger process, launch and implementation. The quantitative study of 245 municipalities in the Swiss canton of Fribourg shows that structural factors, such as economic wealth and population size explain the launch of a merger process but not its implementation. Differences between launch and implementation process could be explained by the varying importance of different actors in the two phases of a merger process. The results are of interest for the scholarly debate on municipal mergers and for political actors promoting local territorial reforms in their regions or countries.

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ZORA URL: <https://doi.org/10.5167/uzh-117413>

Conference or Workshop Item

Originally published at:

Strebel, Michael A (2014). Launching and implementing municipal mergers: push- and pull-factors in merger processes. In: ECPR General Conference - University of Glasgow 2014, Glasgow, 3 September 2014 - 6 September 2014, ECPR.

# **Launching and Implementing Municipal Mergers: Push- and Pull Factors in Merger Processes**

Paper prepared for the ECPR General Conference, Glasgow 3-6 September 2014  
Section S011: Contemporary Local Self-Governance and Democracy – Challenges and  
Responses  
Panel: Local Government Mergers and Territorial Reforms

Michael Strebel  
Department of Political Science  
University of Zurich  
8050 Zurich, Switzerland  
Tel. +41 44 634 58 48  
E-Mail: michael.strebel@uzh.ch

Version: 15.08.2014

## I. Introduction

In the last decades, municipal mergers have become a major topic on the agenda of national governments and political scientists alike. Discussions about the optimal size of local political entities and their respective functions gained in importance (cf. Baldersheim/Rose 2010a; Swianiewicz 2010; Oliver 2000; Ladner/Bühlmann 2007). Many European countries planned (and conducted) boundary reforms of their local jurisdictions. Whereas national and regional governments in some Anglo-Saxon and Nordic countries (such as Denmark, Sweden, Germany and the United Kingdom) carry out large-scale territorial reforms of local jurisdictions already since the 1950s, in other countries (such as Switzerland and Greece) municipal mergers depict a more recent development (Baldersheim/Rose 2010a: 6f.). In this second ‘wave’ of mergers that has been going on since the 1990s, voluntary mergers – as opposed to territorial reforms carried out by central states – became more frequent (Dafflon 2013: 194).

Voluntary mergers are both a promising and challenging object to study. Promising, because they allow to assess the decisions and rationales of local representatives and local constituencies, whereas for mergers carried through by central or member states, local actors only play a minor role (Ladner 2001; Ladner/Steiner 2005; Calciolari et al. 2013; Silberstein/Soguel 2012; Dafflon 2003a). And challenging, because they urge us to take into account different actors at different institutional levels. On the one hand, there are the aforementioned actors at the local level. On the other hand, however, higher institutional tiers also contribute considerably to the (non-)occurrence of voluntary municipal mergers (Kübler/Ladner 2003; Soguel 2006). It is, thus, important to ask under which conditions municipalities engage in mergers.

This question has been investigated from different angles. On the one hand, there is predominantly quantitative research that focuses on economic drivers or *push factors* for municipal mergers (e.g. Sørensen 2006; Dur/Staal 2008; Blom-Hansen 2010; Jordahl/Liang 2010). On the other hand, more case study-oriented research emphasizes the role of identity – a potential *pull factor* – in merger processes (Silberstein/Soguel 2012; Zimmerbauer/Paasi 2013).

A problem of comparative and quantitative investigations of municipal mergers is that they treat ‘merging’ as an event occurring at a singular point in time. However, municipal mergers are *processes*. They involve different subsequent steps and in each of these steps, decisions have to be taken by different actors (Rühli 2012: 124; Steiner/Reist 2008: 10; Ladner 2001:

20; Soguel et al. 2005). Thus, when one treats a municipal merger as a singular event and investigates the factors that lead to it, one probably neglects the relevance of other determinants, which come into play in earlier or later steps.

This paper proposes a way to introduce a procedural component in the quantitative analysis of municipal mergers. The *merger process* is separated into two stages, namely the decision to participate in a merger project and the subsequent decision to implement the merger itself. This allows assessing, whether the reasons to merge remain the same over the whole course of the process or whether they change when one switches from the project to the implementation stage.

A quantitative analysis of all municipalities of the Swiss canton of Fribourg<sup>1</sup> during the years 2000 to 2006 shows that structural factors – i.e. a municipality's economic situation – help to explain the participation in a merger project but not its implementation. For the explanation of the latter stage, local identification and situational factors might do a better job.

The paper is structured as follows. After a brief discussion of the separation of merger processes into different stages, the theoretical section first sheds a light on the important role of the institutional context, i.e. higher government tiers, for municipal mergers and it is argued, why the Swiss canton of Fribourg is a suitable case for the study of voluntary municipal mergers. In a second step, two different sets of local level determinants for municipal mergers will be discussed and two hypotheses derived thereof. After a third section on data, methodological proceeding and operationalization, the main results will be presented and discussed in a fourth section. The last section concludes the present study.

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<sup>1</sup> Swiss cantons are the intermediary government tier between the federal state and local jurisdictions and have wide-ranging competencies, especially with respect to local government systems.

## II. Theory

A municipal merger is “the most fundamental change a [local] political system can undergo” (Blom-Hansen 2009: 51). It means that two or more municipalities get together and form a new political entity (Steiner 2002: 115). With the implementation of such a reform all of the involved municipalities cease to exist in their current form.<sup>2</sup> A municipal merger is the point in time, at which some local jurisdictions end their existence and another local jurisdiction comes into being. Moreover, this point in time is rather unambiguous. Is it, thus, legitimate to think of municipal mergers as *singular events*?

A problem of such a conceptualization is its neglect of the preceding decision-making *processes* that involve numerous different actors (Dafflon 2003a: 10). The citizens of the involved municipalities, neighbouring municipalities and higher government tiers all are potentially affected and involved in this process. Many scholars of municipal mergers acknowledge this fact (Fetz 2009: 19; Rühli 2012: 124). Yet, only some of them try to flesh out different stages of this decision-making process. Dafflon (2003a: 11-12) identifies three- whereas Soguel et al. (2005: 4) differentiate between four different stages. The most important distinction in both conceptions is the one between preparatory stages that involve negotiations between various affected actors, and an implementation stage, where the final decision of whether or not to merge is taken. In these first preparatory stages, the merger *project* is set up. In the subsequent second stage, the *implementation* decision is made. The present paper will, thus, distinguish between two stages, namely the launch of a merger project and its subsequent implementation.

Quantitative investigations of municipal mergers focus on implemented mergers only (e.g. Bhatti/Hansen 2011; Yamada 2012; Ladner/Steiner 2005). This means that they treat mergers as singular events and neglect the fact that mergers are long-lasting processes that involve different stages. Moreover, those municipalities that implement a merger in the end are only a subsample of those that participated in previous stages. One can imagine that the factors that drive municipalities into a merger project differ from the ones that drive them to merger implementation.

The aim of this paper is to test, whether the impact of potential determinants for municipal mergers varies over the course of a merger process. The empirical analysis will account for this fact by subdividing the dependent variable ‘municipal merger’ into two dependent variables, ‘merger project’ and ‘merger implementation’. However, it would be beyond the

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<sup>2</sup> Even though in the case of an incorporation (one municipality absorbing one or several other ones), one of the involved municipalities keeps its name, it is not the same municipality anymore in substantive terms. The new entity has changed in various respects both with regards to size and territory.

scope of this paper to engage in an in-depth theorizing of the various potential effects that different factors have with respect to these two stages. In the discussion of the results, possible starting points for the theoretical assessment of this distinction will be presented. Therefore, in what follows the term ‘municipal merger’ is used as an overarching category that captures both ‘merger project’ and ‘merger implementation’.

A municipal merger is not only a process with different subsequent stages. It is furthermore a reform that affects different dimensions of political systems as well as the interactions between them. Residents are on the one hand confronted with a new political entity taking over the role of their former political point of reference on the local level. Thus, for the individual citizen his/her influence on local politics changes. As a result of a merger the impact of an individual’s voice decreases – the *input* into a local political system changes when it engages in a merger. Furthermore, citizens are also facing changes and differences in services or service provision both in terms of quality and quantity. A municipal merger therefore also influences the *output*-dimension of a local political system (Kübler/Ladner 2003: 137; Ladner/Bühlmann 2007; Kettiger 2004: 5-6). On the other hand a municipal merger changes the relationship of a municipality with higher government tiers – or its institutional environment in general. A merger might for example enhance the ‘voice’ the new entity has on policy-making processes at a superior level. A merger, thus, influences the *vertical* relationships between different levels of government. Furthermore, a merger changes a municipality’s role and interaction with entities that operate on the same level. It influences the *horizontal* relationships within a given context (Schenkel/Serdült 2006: 562; Rühli 2012: 121-123; Kuhlmann 2010: 103; Sørensen 2006: 77).

Based in these considerations, we can identify *three affected players* when it comes to municipal mergers. The first one is the *citizenry* of an involved municipality. Citizens are confronted with completely new conditions – both in terms of their potential impact on political decisions as well as in terms of the output a new entity delivers. A second important player is the next *higher government tier* – e.g. the nation state or the province. In most cases this actor defines the constraints and possibilities for such reforms. The third player(s) are the political units that operate on the same level as the merged political system – i.e. *other municipalities*. There is a great variation with respect to the *importance* of these different actors between countries, or even between regions or provinces within countries. The main focus of this paper lies on the first actor, the citizenry of- or rather the municipality that undergoes a merger. However, the next part discusses the role of higher government tiers first,

since they depict – and actively shape – the institutional framework within which municipal mergers occur.<sup>3</sup>

### ***The Institutional Context***

Higher government tiers receive a lot of attention in the literature on municipal mergers. They play a core role with respect to the institutional arrangement of their territories (Brenner 2003: 318). Therefore, one needs to take a close look at institutions, power-relations and policies of a given government layer to identify its stance and possibilities with respect to reforms of its local jurisdictions (Baldersheim/Rose 2010a: 9; Steiner 2002: 240-242). This renders evident that in the analysis of the local-level determinants of municipal mergers, it might be fruitful to focus on one case, i.e. one local government system, in order to control for ‘context’ conditions. In unitary states, the relevant level to look at is the national one, since it defines possibilities and constraints of local governments – unitary states depict one local government system. In federal states, the next higher government tier above the local one is the level of the member state or the province. Thus, in the latter case, one should look at this intermediate government layer because in many cases the relevant competences regarding local governments lie there – federal states consist of several local government systems (Kübler/Ladner 2003: 139; Ladner/Steiner 1998: 28-31; Wollmann 2000: 50).<sup>4</sup>

Two questions arise in the analysis of the conjunction between municipal mergers and higher government tiers. *Why or when* do higher government tiers want to promote municipal mergers and *how* are they able to do so? The function of local governments in the vertical structure of a state is often conceived as the one of a policy implementation agency. There is, at least in theory, a clear division of labour: The higher tier is responsible for the strategic management – preparation and formulation – of policies, while local governments are responsible for the operative management, i.e. the implementation, of these policies (Thom/Steiner 2003: 710). Thus, higher government layers’ primary expectations from local jurisdictions are a successful and straightforward implementation of their policies. When a local government is not able to do this, the higher tier has an incentive to change the status quo and enhance its local agent’s capacity. A merger is said to be a viable solution to this

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<sup>3</sup> The role of the third player – the other municipalities within a given system – is not addressed here. This is due to the fact, that – at least to the author’s knowledge – there are no political systems, where they can play an active role and *directly* influence the merger of a fellow municipality. They have no decision-making power on the case at hand, whereas the citizenry and higher government tiers do – at least under certain conditions.

<sup>4</sup> Supranational levels and actors like the European Union or the World Bank are left out of these considerations. While supranational institutions might contribute to the discourse on territorial reforms and might shape reform trajectories in the long run (cf. e.g. Kersting et al. 2009: 15), they have no formal decision-making powers regarding local governments.

problem, because municipalities can pool their resources and thereby strengthen their implementation capacities. (Soguel 2006: 175-176; Steiner/Kaiser 2013a: 148).

Yet, local governments' tasks vary across different contexts. Accordingly, the 'damage' done to a given government tier by a poor implementation of its policies varies across different contexts. Kuhlmann (2010) analyses different local government reform profiles in Western European countries with a historical-institutionalist approach. She identifies three groups of countries that vary on two dimensions, namely the political and the functional strength of their municipalities. First, there is the Anglo-Saxon group, where municipalities are strong implementation agents but rather weak in political terms. The opposite is the case for a second group that comprises the Southern or Latin European countries. Here, municipalities are politically strong but their role as implementation agents is rather weak. And third, there is the Nordic and Continental European group where municipalities are strong both in functional and in political terms. This means that they play an important role both in the implementation of superordinate policies as well as in the representation of their local constituencies (Kuhlmann 2010: 104-105).

From this classification, we can derive different *intensities* of interest for both higher government tiers (the 'second player') and for local citizenries (the 'first player'). We can expect higher layers' desire to influence a certain municipality to increase with the latter's *functional* importance. For instance, if local governments are responsible for the tax collection of the higher government tier, the latter has a vital interest in a proper tax collection. Likewise, we might expect that with increasing *political* significance of a local jurisdiction, the interest of its citizens in the determination of a jurisdiction's fate increases (Swianiewicz 2010: 200). If, for example, a local official can exercise substantial power in the political system of a province or even of a country, citizens might perceive a local election to be more important than when local representatives are rather powerless (cf. Rühli 2012: 55-57). In figure 1, these different interest intensities are depicted in a two-dimensional typology.

**Figure 1: Levels of Contestation over Local Government Reforms**

		Higher Tier's Interests	
		Low	High
Citizenry's Interests	Low	--	(Anglo-Saxon group) Functionally Strong, Politically Weak <i>Low Level of Contestation</i>
	High	(Latin group) Functionally Weak, Politically Strong <i>Low Level of Contestation</i>	(Nordic/Continental group) Functionally Strong, Politically Strong <i>High Level of Contestation</i>



In cases where the functional importance of local governments is high, higher layers might be more prone to induce municipal mergers at the local level, when municipalities fail to perform their tasks. If this functional strength coincides with political weakness at the local level, the *level of contestation* over local government reforms can be expected to be rather low between the two players, since there is only one player with a vital interest. Mergers will occur, if the higher tier wants them. Similarly, in the opposite case, where municipalities are functionally weak but politically strong, we can expect low levels of contestation too, since the interests of the higher government tier are rather low. Only if the local citizenry has an interest in a merger, it will occur. The most interesting cases are the ones, where both citizenries of local jurisdictions as well as higher government tiers have a substantial interest in local jurisdictions. Both players fervently try to protect their interests, resulting in high levels of contestation over municipal mergers.<sup>5</sup> Unlike in the cases, where low contestation is expected, in the latter, the outcome is unclear. In sum, higher government tiers most likely try to reform their local jurisdictions via municipal mergers, if the latter are important implementation agents of the formers' policies and if they face difficulties to cope with the tasks the former assigned to them.

When we turn to the second question *how* higher government tiers try to promote municipal mergers, the most important distinction is the one between top-down and bottom-up strategies (Baldersheim/Rose 2010b: 247). The decisive feature of the first strategy is central planning. The superordinate layer develops certain criteria, i.e. minimum sizes, or ideal perimeters for mergers of local governments. If a local government does not meet these criteria or if a planned merger does not correspond to the suggested perimeter, the higher tier decides upon the fate of the respective local jurisdiction. This might entail elements of compulsion, e.g. *forcing* said municipality to merge (Dafflon 2013: 194). The participation and interests of local citizenries play a subordinate role in the considerations of the superior government level. We could, thus, also speak of a *command* strategy towards municipal mergers.

Bottom-up strategies by contrast highlight the role of the citizens in the respective municipalities and leave it to them whether or not they perceive a merger to correspond with their interests. Although higher government tiers renounce to use central planning and especially command measures, they sometimes make suggestions for mergers or provide certain incentives for municipalities to merge. This means that such strategies are not really bottom-up anymore. The involvement of the higher tier in a municipal merger induces a top-

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<sup>5</sup> However, this does not mean that the interests of superior government levels and local citizenries necessarily need to be contradictory. A high level of contestation only means that the *possibility* of conflict is higher, because both players have a high interest in the respective jurisdiction.

down element by definition. Yet, it is not equivalent to the command strategy described above. Rather, we could speak of an *encouragement* strategy towards municipal mergers. However, if municipalities do not have an external incentive to merge with their neighbours, they most likely won't do so. If a higher government tier aims at restructuring its local political territories without the use of a command strategy, it has to provide certain *incentives* that encourage municipalities to merge (Rühli 2012: 54).

These incentives can be 'positive'. Municipalities that decide to merge might for example receive certain additional benefits, e.g. lump-sum payments. However, these incentives can also be 'negative'. Important elements of many local government systems are transfer payments or fiscal equalization systems that equalize resource inequalities between rich and poor municipalities (Rühli 2013: 141). When the criteria according to which municipalities receive these payments are changed, this can indirectly influence the behaviour of municipalities regarding mergers. After certain types of adjustments to the transfer system, some municipalities can simply not afford to stay independent anymore (cf. Yamada 2012).

In sum, the possibilities of higher government tiers to induce municipal mergers are manifold and the unambiguous classification of a particular strategy as command or encouragement is not always possible. As a rule of thumb, one could state that whenever the decision of whether it wants to merge or not lies with the 'first player', the citizenry of a certain municipality, we can conceive the strategy of the superordinate layer to essentially rely on encouragement. However, when the 'second player', the higher government tier, decides in place of the first player, we are dealing with a command strategy.

Recalling the focus of this paper on voluntary mergers, the first implication of the above considerations is that one needs to focus on a case where the higher government tier follows an *encouragement strategy* to induce municipal mergers. Otherwise, it is not possible to investigate the rationales of local actors. The second implication is that it seems to be most promising to analyse cases where there presumably exists a *high level of contestation* between the superior and the local government level. Only then, higher tiers have a reasonable interest to induce mergers via certain incentives and only then, local citizenries have a genuine interest in seriously considering the pros and cons of these incentives.

### The Case of Fribourg

The canton of Fribourg in Western Switzerland is a very attractive case for the study of municipal mergers. It nicely fits the criteria discussed above. On the one hand, it did follow an encouragement strategy to induce territorial reforms of municipalities. More precisely, the Great Council (the legislator) of the canton adopted a decree in the year 1999, with the aim to

encourage mergers during a limited period of time (2000-2006). The primary instrument to achieve this goal was a ‘positive’ incentive – a lump-sum payment (Great Council of the Canton Fribourg 1999). Furthermore, we can expect high levels of contestation in Fribourg – or in Swiss cantons in general – since municipalities are strong both in functional and in political terms.<sup>6</sup> Swiss municipalities are important implementation agents of cantonal (and federal) policies. In the year 2000, they accounted for 33 percent of the overall spending of all three government tiers (Horber-Papazian 2006: 241; Linder 2012: 151). Furthermore, citizen involvement in local politics is generally high in Switzerland. Depending on the canton and (the size of) the municipality, citizens can elect a parliament or participate in town hall meetings – whose function is equivalent to a parliament – directly. In addition, citizens have the opportunity to participate in local politics via direct democratic means. They can, for example, determine the level of the municipal tax rate – which is one of the most important elements of local autonomy (Linder 2012: 176). Thus, Swiss municipalities *in general* are important both in political as well as in functional terms. So, what makes the canton of Fribourg a promising case for our endeavour?

First of all, the local government landscape of Fribourg is very *fragmented and small-scaled*. In the year 1999, the median size of its municipalities amounted to no more than 439 inhabitants and the cantonal territory was subdivided into 245 municipalities. These structural conditions potentially increase the difficulties municipalities face in the implementation of cantonal policies and lead the cantonal government to take action at an early stage (Ladner/Steiner 1998: 39-43). Indeed, as early as in the late 1960s, the cantonal government made first attempts to reform its local government landscape. A law was issued, which aimed to encourage mergers via financial incentives and led to a substantive reduction (from 284 to 245) in the number of municipalities in a 20 year period. This made the canton of Fribourg a prime example and a forerunner in voluntary mergers in Switzerland and in Europe alike (Dafflon 2003b: 276). This means, secondly, that a *discourse* on municipal mergers has been going on for several decades (cf. Dafflon 2013: 198f.).

Last but not least, the *design of its encouragement strategy* makes Fribourg a very promising case to analyse. The decree of 1999 has three components worth considering. First, the mentioned lump-sum payment is weighted by the number of inhabitants (up to 1500) and a municipality's financial capacity.<sup>7</sup> This clear way of calculation reduces uncertainty for

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<sup>6</sup> Swiss cantons are the guarantors of municipal autonomy, which makes them the relevant government level to look at. Kübler and Ladner (2003: 139) state that “it would be more accurate not to speak of a *Swiss* local government system, but rather of 26 different cantonal systems of local government.” (emphasis in original).

<sup>7</sup> The financial capacity is assessed via the financial capacity index, which is primarily used to calculate a municipality's grants from the intra-cantonal fiscal equalisation scheme (Great Council of the Canton Fribourg

interested municipalities and makes obtaining the financial support a mere technical matter.<sup>8</sup> Second, a fund for these lump-sum payments was created. While the canton contributed 70% of the total amount, the municipalities had to contribute the remaining 30%. This substantial contribution might have depicted an incentive for municipalities to profit from the fund and receive their money back together with a little ‘bonus’ (Guerry-Berchier 2009: 35). Third, the decree was temporally limited, from beginning of 2000 to beginning of 2006 (latest date for merger implementation). This temporal limitation put willing municipalities under pressure, lengthy negotiations were probably less frequent and a consensus between partners was reached much faster than without such a limitation.

In sum, the fragmented landscape and the small scale of the canton Fribourg, its experience with municipal mergers and the nature of its encouragement strategy all are very favourable conditions for voluntary mergers to occur. This makes it a rather atypical or *extreme* case and puts limits on the generalizability and external validity of the findings (cf. Diekmann 2007: 256-261; Gerring 2008). While one can’t generalize the *number* of mergers that occurred – or the *size* of the coefficients to speak in statistical terms – one can generalize some basic mechanisms or *conditions* – the *directions* of the coefficients – under which municipalities merge. On the positive side, the focus on only one case allows assessing the underlying mechanisms more closely (Diekmann 2007: 256-261).

### **Local Determinants**

After this discussion on the context within which municipal mergers occur, the following section now turns to the local level and elaborates on the rationales that might lead municipalities to engage in mergers. As outlined above, municipal mergers affect both the input- and the output dimension of a political system. On the input side, two previously separate groups of citizens find themselves making joint decisions in a new entity. But also on the output side a merger has its impacts: It is said to profoundly affect the possibilities and the efficiency of public service provision (Ladner/Steiner 2005: 240). The question is, which of these two components of democratic legitimacy this reform is *meant* to enhance.

In the literature, the answer seems quite clear. Despite the fact that a municipal merger might improve democratic control and additionally has a favourable impact on responsiveness and

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1989). This index will be discussed in the part on operationalization. The formula for the calculation of the lump-sum payment looks like this:  $\frac{400 \times \text{Population}_i}{\text{Financial Capacity}_i} = \text{Lump} - \text{Sum Payment}_i$ ; ( $i | i \leq 1500$ ).

<sup>8</sup> In the earlier period and in other cantons, these payments were sometimes connected to municipalities' debt levels and their calculation was not always clear a priori, which often led to last-minute spending and to lengthy negotiations about the amount of the payment (Dafflon 2003a: 27; cf. also Blom-Hansen 2009: 52).

accountability under certain conditions<sup>9</sup>, the main current in the literature highlights the output- and efficiency-orientation of recent local government reforms (Ladner/Steiner 2005: 253; Kübler/Ladner 2003: 151; cf. also Benz 2010: 39). In addition, recent research on the quality of local democracy reaffirms that ‘small is beautiful’, meaning that municipal mergers tend to be detrimental rather than beneficial to the ‘input quality’ of democracy on the local level (Koch/Rohner 2014; Ladner/Bühlmann 2007: 261; Oliver 2000; Kübler 2005b: 275-277; Lassen/Serritzlew 2011: 255). According to Dahl and Tufte (1974: 20-24) there even exists a *trade-off* between the two dimensions. Whereas small entities are better equipped to ensure ‘effective participation’, bigger entities can control a wider range of topics and can pursue their goals in a more effective way. Thus, the ‘system capacity’ of a political entity increases with its size.

Based in these considerations, we can assume that municipal mergers are meant to improve something on the output- rather than on the input side of local democracies. Yet, as already mentioned, mergers always affect both dimensions. We can thus tentatively state that some conditions on the output side of democratic systems might be considered factors *pushing* municipalities towards mergers and other conditions on the input side of democratic systems seem to be *pulling* municipalities away from them (cf. Calciolari et al. 2013: 566). In what follows, two of these push- and pull factors are elaborated on in more detail.

### Push Factor – Financial Difficulties

A widespread notion in the literature on municipal mergers is that municipalities with financial difficulties and a lack of resources are more likely to engage in mergers (cf. Ladner/Steiner 2005: 250; Dafflon 2003a: 15; Ladner 2009: 58; Calciolari et al. 2013: 580).

On the output side, municipalities have to satisfy two types of demands, one from above and one from below. Higher government tiers demand output in the form of good policy implementation. In their role as principals, they might want to establish certain control mechanisms and evaluation tools to survey their agents' behaviour. (cf. e.g. Ladner 2005: 87; Bovens 2005). For municipalities this means that, in addition to the actual implementation, they have to give an account of *how* they implemented something. The growing requirements in terms of the quality of implementation is complemented by an increasing number or quantity of tasks that have to be handled at the local level – as a result from decentralization and devolution tendencies (Denters/Rose 2005; Thom/Steiner 2003: 170).

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<sup>9</sup> For instance, when formerly ‘outsourced’ public service institutions are reintegrated into the newly formed municipality and as a consequence political and functional territories ‘match’ again (Kettiger 2004: 5; Steiner 2002: 123).

For their residents, municipalities are important providers of public services (Bhatti/Hansen 2011: 214; Steiner et al. 2013: 37). Thus, citizens also have a fairly high interest in ‘good quality output’ on the part of their local jurisdictions. Output is even considered more important than input and citizens are increasingly perceived as *costumers* (Ladner and Bühlmann 2007: 64; Ladner/Steiner 2005: 245). In addition, citizens’ expectations regarding public services increased considerably due to higher standards of living in general, an increased exchange with friends, colleagues and family living in other places and experiencing different services, or higher personal mobility and access to knowledge about other municipalities’ services (Horber-Papazian 2006: 249; Kellermann 2008: 200; Kettiger 2004: 4; Thom/Steiner 2003: 709). To cope with these demands, municipalities can enlarge and professionalize their administration, contract-out certain tasks<sup>10</sup>, or try to encourage their citizens to engage in voluntary service for their fellow citizens. However, all of these potential solutions hinge on the *availability of resources*. Whereas the first two strategies require financial capital, the latter one requires human capital. What to do if these resources are not available?

The answer is *institutional reorganization*. There are essentially two possibilities: inter-municipal cooperation and municipal merger. A municipality can engage in inter-municipal cooperation with its neighbours to provide a certain public service or to perform a certain task – in order to benefit from economies of scale (Kellermann 2008: 219; Swianiewicz 2010: 185), to reduce ‘free-riding’ by other municipalities (Kübler 2005b: 265f.; cf. Dur/Staal 2008) and to improve the match of the spheres of users, payers and decision-makers (Dafflon 2013). The downside to this strategy is that citizens lose a certain amount of democratic control over the respective issue. Nevertheless, it allows the municipality to remain a distinct political actor in its own respect (Dafflon 2000: 140).

A municipality might also merge with one of its neighbours to solve its problems. The underlying rationales remain the same, but the trade-off is a different one. Instead of losing a certain amount of democratic control over the *respective* policy, a municipality loses a certain amount of democratic control over *all* policies by giving up its status as a distinctive political actor. This means that merging becomes a viable strategy, when a municipality faces problems in many different policy fields (Rühli 2012: 27). Instead of setting up separate cooperation institutions for each policy field, it is more effective to reconcile them in one integrated body. This also reduces the information costs for citizens, because they only have to follow the actions of one and not of various agencies (Dafflon 2000: 142; Benz 2010: 43). Thus, from a

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<sup>10</sup> This means that a municipality delegates certain duties, such as waste disposal, to a private actor and pays him for providing the service (Soguel 2006: 175).

rational perspective, it makes sense for a municipality's citizenry to think about a merger, when it has problems handling not only one but various kinds of tasks.

An additional component to theorize the impact of the availability of resources on the probability to merge lies in the institutional context a municipality is embedded in. As discussed above, higher government tiers that follow an encouragement strategy to reform their local territories might provide different types of incentives for municipalities to merge. If they provide financial incentives, they might reduce the 'hurdles' for certain municipalities to merge. The argument we can make is again an economic one. Municipalities with low financial resources are more prone to give up their sole sovereignty over their territory given the outlook of certain financial incentives, than municipalities that are financially sane. For poor municipalities, a financial contribution might account for a substantial amount of their debts and might allow them to rehabilitate their finances without raising tax rates. However, for rich municipalities, the additional benefit of such a financial contribution might be small and therefore, they probably see no reason to engage in a merger. The negative consequences might outweigh the positive ones.

To sum up, the economic situation of a municipality can be an important driver for mergers. When financial resources are scarce, one can assume that a given municipality does not only face problems in implementing one or a few tasks. It probably is challenged in most policy fields. If higher government tiers set up financial incentives in addition, this can further intensify the probability of financially weak municipalities to merge.

H<sub>1</sub>:           A municipality with financial difficulties is more likely to merge than an economically wealthy one.

#### **Pull Factor – Identification**

Local jurisdictions are not only important because they provide services and pursue the welfare of their citizens (Ruggiero et al. 2012: 493). They are also important points of reference for their citizens with respect to 'immaterial' needs such as social integration and identification. (Swiss) citizens can participate in various procedures and decide on a number of issues. In addition, associations such as sports and shooting clubs (but also political parties) often parallel the local institutional structure and fragmentation of a given territory. These local networks are a crucial component for many citizens' social integration (cf. e.g. Oliver 2000: 363). Thus, the local government level plays quite an important role in citizens' daily life.

In the last decades, however, the 'large scale' processes of globalization, de-industrialization and informatization have fundamentally reshaped the preferences and perceptions of

individuals (Kriesi 2013; Putnam et al. 2000). Especially the new means and possibilities of communication and information together with enhanced personnel and professional mobility have influenced the *territorial* identification patterns of citizens (cf. Antonsich/Holland 2014). ‘Real-time’ news coverage from around the world rescales our planet and individuals sense their integration into global processes and problems more than ever whereas local problems probably lose their significance for some of them. In addition, the separation of working and living areas arouses the citizens’ interest in problems and issues that transcend local institutional boundaries (Lidström 2013; Zingg/Benz 2003: 60; Kübler 2005a). Therefore, some strands of research postulate the end of borders and territories. And others emphasize “de-territorialization and re-territorialization, at new spatial scales, below, above and across the state” (Keating 2008: 70; Paasi 2009). With respect to territorial reforms at the local level, these developments and changes in citizens’ local identities are expected to facilitate municipal mergers. When the role a municipality plays in the life of an individual citizen decreases, he/she might also be less concerned about the future or the fate of this local jurisdiction (Kettiger 2004: 5).

Nevertheless, citizens’ identification with their municipality is still perceived as a, if not *the*, major impediment to municipal mergers (Baldersheim/Rose 2010b: 242f.; Dafflon 2003a: 10; Sørensen 2006: 75). This consideration is not necessarily far-fetched. A municipal merger challenges important parts of local identities. It means, for example, that a municipality’s name and flag is changed. Both can be important symbols and focal points for a citizen’s identification with his/her local jurisdiction (Fetz 2009: 18f.; Kettiger 2004: 8; Bühlmann 2012). Additionally, known and traditional forms of social contacts and bonds might lose their significance in the course of a merger (Ladner/Bühlmann 2007: 22; Rühli 2012: 22; Silberstein/Soguel 2012: 49). Furthermore, and in contrast to the aforementioned arguments, some authors argue that local identities remain important; not in spite, but *because* of globalization processes. The increasing complexities and interdependencies of our contemporary world lead people to focus on well-known and ‘simple’ systems (Zimmerbauer/Paasi 2013: 39). Merger plans of municipal officials can even lead to quite substantial resistance on the part of the citizens and they might even accept negative consequences, such as tax rate increases, as a price for their independence (Zimmerbauer/Paasi 2013: 33; Horber-Papazian 2006: 254). In sum, a strong identification of a citizenry with its municipality can depict a non-trivial hurdle to a merger. Therefore, the second hypothesis reads as follows:



H<sub>2</sub>: The stronger the identification of a municipality's citizenry with its municipality, the lower the probability of that municipality to merge.

### Controls

There are some additional factors that must be considered in an analysis of municipal mergers. A first important factor that will be included for the test of the two hypotheses is the *population size* of a municipality. Various authors show that especially small municipalities face severe problems in the implementation of higher tier policies or in public service provision (Horber-Papazian 2006: 239; Ladner 2001: 10; Ladner/Steiner 2005: 245; Steiner 2002: 132). Furthermore, small municipalities might also benefit most from economies of scale due to a merger, since these effects usually decrease with an increase in size (Kellermann 2008: 196; Kushner/Siegel 2005: 266). Although some of these effects of a municipality's population size on its propensity to merge might be captured by the financial difficulties in hypothesis H<sub>1</sub>, it will nevertheless be included to prevent omitted variable bias. Moreover, there need to be controls for the *geographical conditions* a municipality is rooted in. Geography depicts a "natural constraint" for a municipality's possibility to engage in a merger (Bhatti/Hansen 2011: 215). For instance, it most certainly matters, whether a municipality has two or whether it has ten neighbours – i.e. potential merger partners – to engage in a merger. In the latter case a municipality can choose among many more potential partners than in the former situation (Steiner 2002: 247).

A last important control variable is the number of municipalities that are involved in a municipal merger. Linder (2012: 176) mentions the fact that the uncertainty about a merger's success increases with the number of involved municipalities. Each municipality has the possibility to 'veto down' the implementation. The simple rationale is that the more veto players there are, the less likely it is that a certain policy, or in this case a polity, change is adopted (Tsebelis 2002). Therefore, a variable that assesses whether two or more municipalities are involved in a municipal merger will be included.

### III. Data, Methodology and Operationalization

This section provides an overview of data, methodological proceeding and operationalization. In a first step, the dependent variables will be defined for the case at hand and the data will be discussed briefly. After a second step that discusses some methodological issues and considerations, the operationalization of the two independent variables will be presented.

#### ***Data – The ‘Merger Wave’ of 2000-2006***

As discussed in the introduction to the second section, a municipal merger should not be treated as an event that occurs at one point in time but rather as a process that involves two important steps. For the purposes of this paper, the merger process in the canton of Fribourg begins with the submission of a merger proposal to the higher government tier – in this case the cantonal government– and it ends with the implementation of the merger. The *submission* depicts the point of departure for the use of the term merger project.<sup>11</sup> The first binary distinction (or outcome variable) in the dataset is thus between municipalities that submitted a merger proposal to the cantonal government and the ones that did not.

The subsequent second binary distinction – between municipalities that implemented the merger project and the ones that did not – is cast at the *ballots*. Since the canton of Fribourg pursues an encouragement strategy towards municipal mergers, the last word lies in the hand of the citizens. When the citizenries of all involved municipalities accept the merger project, the implementation occurs, whereas when one or more of the constituencies reject the project, it does not. This distinction represents the second dependent variable.

Quite an imposing number of municipalities were involved in a merger project between the 1<sup>st</sup> of January 2000 and the 1<sup>st</sup> of January 2006. A total of 135 different municipalities participated in a merger project – compared to 245 municipalities that existed by the end of the year 1999. Thus, more than half of the Fribourg municipalities were involved in a merger project in the first years of the new millennium. Of the 54 merger projects voted on at the ballots, 41 were implemented in the end. On average, three municipalities were involved in a merger project. By the beginning of 2006, the end of the funding period, 168 municipalities remained, which means that 77 political entities ceased to exist.

#### ***Methodological Proceeding***

The two hypotheses will be analysed by the use of a cross-sectional design. This might seem somewhat surprising, since the aim of the paper is to investigate merger *processes*. Yet, this choice can be justified on different grounds. Standard time-series or panel analysis procedures

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<sup>11</sup> With the submission of the merger proposal, the merger project and the involved municipalities appear in the cantonal statistics, before they do not. This criterion ensures comparability, it is the earliest point in a merger process, for which comparable data is available.

are not suitable for this type of data, since observations drop out in the course of time. This problem could be handled by event history models (Box-Steffensmeier/Jones 2004; Mills 2011). However, these models have their own requirements, which are not reconcilable with the case at hand. First of all, one of the two investigated outcome variables, namely being part of a merger project, cannot be pinned down to one point in time. A municipality can have project status over more than one time period, e.g. a year, which would then lead to an over-estimation of the effects of certain characteristics. Second, some municipalities drop out and some others join the dataset. This might again introduce bias, since the ones joining the dataset are conglomerates – and thus not independent – of the ones dropping out. Finally, event history analysis obviously requires longitudinal data. However, such data is not available for all the needed indicators.

Due to these limitations, a cross-sectional investigation strategy was chosen. The year 1999 serves as the base year for all the independent variables. The variable 'merger project' measures, whether a municipality was involved in a merger project *during the period 2000-2006* and the variable 'merger implementation' measures whether or not a merger was implemented *by 2006*. Such a proceeding certainly can be criticized on various grounds. Yet, it is justifiable by two arguments. First, in substantive terms, the aim of the paper is not to make a statement about when, but only *whether* a certain event occurred during said period. Second, one can argue that the year 1999 functions as a *snapshot* of the longitudinal picture. A longitudinal correlation analysis of indicators for which longitudinal data was available supports this claim: the year 1999 can serve as a proxy for other years as well.<sup>12</sup>

The two binary outcome variables and the cross-sectional data structure point to the use of standard binary logit models for the test of the two hypotheses (cf. Long 1997: 53f.).

### **Operationalization**

In table A.1 in the appendix, one finds a list of all variables, the respective concepts that they are supposed to measure and the sources they are obtained from. In what follows, I will briefly discuss the operationalization of the two independent variables.<sup>13</sup>

*Financial Difficulties:* In order to assess the financial situation of a municipality two indicators are used. The first is the financial capacity index. This is an index that serves the Fribourg administration to determine the fiscal strength of their municipalities. It mainly serves as the calculation base for the grants from intra-cantonal fiscal equalisation (Mischler 2009: 158-160). There are two separate elements to the financial capacity index: local fiscal

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<sup>12</sup> Pearson's  $r$  is high or very high ( $> 0.9$ ) for these indicators over a 5 year period, which means that there is no substantive variation over time.

<sup>13</sup> The operationalization of the control variables is straightforward and will therefore not be discussed here.

resources and local financial needs. (Dafflon/Tóth 2003: 9f.; Great Council of the Canton Fribourg 1989: Art. 3-8). For each of these indicators, a mean value is calculated, which then depicts the index mean of 100.00. All the municipalities are then assigned values below or above 100.00 corresponding to their values on these indicators. Index values above 100.00 indicate above-average capacity.

While this indicator measures *structural* features of a municipality's situation, it does not account for its *legacy*. High expenditures in the past might also lead to financial difficulties, even though the tax base is solid. Therefore, in addition to the financial capacity index, a municipality's net indebtedness per capita will be used as a second indicator to account for this.

*Identification:* To measure identity or identification of an individual towards groups or institutions is a very difficult task (Lewicka 2011). Measuring average identitarian feelings of a whole municipality is even more difficult and can only be approximated, especially in the absence of survey data. Three ways of approximating the strength of local identity will be suggested here. All of them are connected to the idea that a person's 'rootedness' in a municipality influences feelings of identity and attachment. The number of commuters as a share of the total working population is a first approximation to this. Zingg and Benz (2003: 60) argue that professional mobility alters a person's point of reference for his/her identification (cf. also Lidström 2013). In accordance, one can induce, that a high share of commuters in a municipality might also result in a lower overall identification with the latter. A second indicator is population volatility – the sum of immigrants and emigrants in a municipality as a share of the total population in a given year. This indicator approximates the average duration of residence of a municipality's population. A high level of fluctuation can be expected to be associated with lower levels of 'rootedness' and hence identification. A last indicator for identification is the demographic structure of a municipality. Fetz (2009: 18) as well as Soguel et al. (2005: 7) argue that older people might have more difficulties to cope with the idea of their resident municipality merging with another one, because their identification with their municipality is much stronger than the one of younger people. Moreover, the demographic structure of a municipality – or in this case the percentage of people of the age of 65 years or more – might serve as an alternative indicator for the average duration of residence. Older people can be expected to be living much longer in a given municipality than younger ones.<sup>14</sup>

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<sup>14</sup> Factor analysis has been used to test, whether these three indicators measure the same latent dimension. This is not the case, however. Therefore, the individual indicators will be used to test hypothesis H<sub>2</sub>.

## IV. Results

This section is divided into three parts. In the first one, the validity of the two hypotheses for the launch of a merger project will be assessed. The second part centres on the determinants for merger implementation. In a third section, the results will be compared and their implications discussed.

### *Merger Project*

Recall the two hypotheses that will be tested: The first one,  $H_1$ , states that financial difficulties increase a municipality's probability to engage in a merger. In contrast, the second hypothesis  $H_2$  assumes that a strong identification of a municipality's citizenry with its municipality hinders the merger of the latter.

Table 2 depicts different models that assess the probability to set up a merger project. Model 1 is the separate model for the test of the first hypothesis, whereas model 2 is the separate model for testing the second hypothesis. In the last column, the full model 3 incorporates all predictors in one model.<sup>15</sup>

**Table 1: Determinants for Merger Project (=1)**

	(1) $\beta$ (p > z)	(2) <sup>+</sup> $\beta$ (p > z)	(3) <sup>+</sup> $\beta$ (p > z)
Number of Neighbours	<b>.203</b> (.017)	<b>.183</b> (.022)	<b>.186</b> (.032)
Log. Population	<b>-.795</b> (.000)	<b>-.874</b> (.000)	<b>-.883</b> (.000)
Financial Capacity	<b>-.034</b> (.003)		<b>-.033</b> (.006)
Debt / Capita	<b>-.000</b> (.017)		<b>-.000</b> (.011)
% Population ≥ 65 years		-.039 (.400)	-.063 (.205)
Commuters / Total Working Population		-2.257 (.194)	-2.763 (.143)
Population Volatility		-4.612 (.243)	.282 (.949)
Constant	<b>6.776</b> (.000)	<b>7.327</b> (.000)	<b>9.851</b> (.000)
N	245	239	239
Pseudo- $R^2$ (McFadden)	.172	.117	.185
LR Chi2	58.034	38.625	6.998
p > Chi2	.000	.000	.000

Notes: Own Calculations; Data Source: Department of Statistics of the Canton Fribourg (2013a; 2013b), Department of Municipalities of the Canton Fribourg (2013); Coefficients are obtained from binary logistic regression with Maximum Likelihood Estimation; p-values in parentheses; **Bold** = Coefficient significantly different from 0 with > 95% confidence.

<sup>+</sup> Number of observations differ due to inclusion of "% Population ≥ 65 years" and "Commuters / Total Working Population"; values for these two indicators are from the year 2000, which leads to the exclusion of 6 municipalities for which data was not available.

In all three models both the number of neighbours and the logarithmic population are stable predictors for the outcomes of the dependent variable. In line with the theoretical

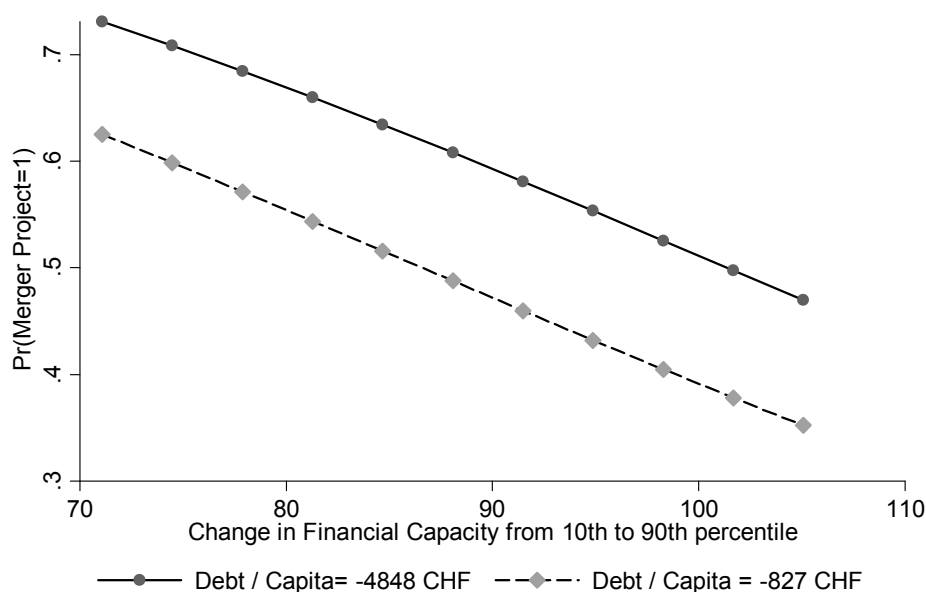
<sup>15</sup> Descriptive statistics for the different indicators are depicted in table A.2 in the appendix.

expectations, having many neighbours and few inhabitants makes it more likely for a municipality to launch a merger project.

The variables that are used to test the first hypothesis – financial capacity and debt / capita – both show significant results and the directions of the coefficients support the theoretical expectations. Higher financial capacity decreases the probability to participate in a merger project, while a higher debt / capita increases it.<sup>16</sup>

Figure 2 depicts these results graphically for model 3. It shows the effects for the two variables combined. Each of the two lines shows the decrease in the probability to participate in a merger project when financial capacity varies from the 10<sup>th</sup> to the 90<sup>th</sup> percentile. These changes are indicated for high- (25<sup>th</sup> percentile), and for low debt levels (75<sup>th</sup> percentile). All the other variables are held constant at their means.

**Figure 2: Financial Difficulties and Merger Project**



Notes: Own Calculations; Data Source: Department of Municipalities of the Canton Fribourg (2013); Department of Statistics of the Canton Fribourg (2013a; 2013b)

The parallelism of the two lines indicates that the effect of financial capacity remains the same for all levels of debt / capita. The average probability for a municipality to engage in a merger project, when all variables in model 3 are held constant at their means, amounts to 54 percent. This means that both a positive and a negative deviation of financial capacity or debt / capita from the mean significantly alter this probability. Municipalities with low financial capacity (10<sup>th</sup> percentile) and high debt (25<sup>th</sup> percentile) have an over 30%-points higher

<sup>16</sup> The latter might be a little confusing at first, since the coefficient for debt / capita is negative. However, the variable debt / capita ranges from -21448 to +27853 Swiss francs. Negative values mean that a municipality is indebted, while positive values mean that there are surpluses. Thus, an increase in the variable debt / capita means a *decrease* in debt.

chance to engage in a merger project than municipalities with high financial capacity (90<sup>th</sup> percentile) and low debt levels (75<sup>th</sup> percentile).

By contrast, none of the three variables that are used to test hypothesis H<sub>2</sub> yield significant coefficients. Comparing the pseudo-R<sup>2</sup>s of the models 1 and 3, one can see that their contribution to the overall explanation of the dependent variable is negligible. Thus, the identification of a municipality's citizenry with its municipality does not seem to matter for a municipality's involvement in a merger project.

To sum up, we find support for hypothesis H<sub>1</sub> that financial difficulties increase the probability to participate in a merger project. By contrast, hypothesis H<sub>2</sub> has to be rejected based in these models. There is no support for the assumption that a strong identification of a citizenry with its municipality decreases the probability to launch a merger project.

### ***Merger Implementation***

This part investigates the second stage of the merger process, the decision-making at the ballots, operationalized by the dependent variable merger implementation. Table 2 shows, whether the indicators of the two hypotheses matter for the probability that a merger is actually implemented.

**Table 2: Determinants for Merger Implementation (=1)**

	(1) β (p > z)	(2) <sup>+</sup> β (p > z)	(3) <sup>+</sup> β (p > z)
Merger Project Involved > 2 Municipalities (=1)	.047 (.937)	.597 (.325)	.376 (.560)
Log. Population	<b>-0.842</b> (.022)	<b>-1.269</b> (.002)	<b>-1.095</b> (.011)
Financial Capacity	.000 (.997)		-.028 (.297)
Debt / Capita	.000 (.217)		.000 (.374)
% Population ≥ 65 years		-.078 (.419)	-.067 (.501)
Commuters/Total Working Population		-.819 (.807)	-.043 (.990)
Population Volatility		<b>26.942</b> (.010)	<b>29.612</b> (.007)
Constant	<b>7.032</b> (.006)	6.999 (.100)	7.632 (.083)
N	135	129	129
Pseudo-R <sup>2</sup> (McFadden)	.105	.201	.217
LR Chi2	12.255	23.011	24.823
p > Chi2	.016	.000	.001

Notes; Own Calculations; Data Source: Department of Statistics of the Canton Fribourg (2013a; 2013b), Department of Municipalities of the Canton Fribourg (2013); Coefficients are obtained from binary logistic regression with Maximum Likelihood Estimation; p-values in parentheses; **Bold** = Coefficient different from 0 with > 95% confidence.

<sup>+</sup> Number of observations differ due to inclusion of "% Population ≥ 65 years" and "Commuters / Total Working Population"; values for these two indicators are from the year 2000, which leads to the exclusion of 6 municipalities.

The number of involved municipalities<sup>17</sup> does not seem to influence the probability of merger implementation. Thus, the ‘veto’ problem raised by Linder (2012: 176) does not seem to play a role here.

By contrast, the coefficient of the logarithmic population remains significant in all three models. The higher the number of inhabitants, the less likely the implementation of a merger becomes. The effect of this variable reveals the same direction and approximately the same size as in the models in table 1. This finding is somewhat surprising. While in the case of a merger project the predictive power of the population size makes sense theoretically<sup>18</sup>, for the prediction of merger implementation the potential underlying mechanism is less clear. One could imagine that citizens of bigger municipalities perceive their municipality as being strong enough on its own, while the citizens of smaller municipalities perceive this differently. The latter are probably confronted with some of their municipality’s problems – like a lack of personnel or short office hours – on a more daily basis. Another possible explanation stems from Ladner and Bühlmann (2007: 31) who state that the feeling of responsibility of the individual citizen tends to be higher in small municipalities. This feeling might also be a possible explanation, why small municipalities more readily implement their merger projects than bigger ones. When a merger is presented to the citizens as a ‘rational’ and ‘easy’ solution for a municipality’s problems, a ‘responsible’ citizenry probably converts these arguments into an acceptance of a merger.

The two indicators that measure financial difficulties of a municipality are no significant predictors for a municipality’s probability to implement a merger. Unlike for the launch of a merger project, a municipality’s financial difficulties do not seem to be helpful for the prediction of merger implementation. The comparison of the pseudo- $R^2$ s of models 2 and 3 corroborates this notion. Adding the variables financial capacity and debt / capita only marginally improves the explanatory power of the model. Thus, hypotheses  $H_1$  has to be rejected for merger implementations. This is an important finding. It supports the idea of separating the analysis of municipal mergers into different stages.

Turning to the indicators for the test of the second hypothesis  $H_2$ , we can see further impressive changes between the different models in tables 1 and 2. Whereas the signs and significance levels for the coefficients of the share of commuters and the percentage of old

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<sup>17</sup> Instead of the number of neighbours – which turned out to be an important predictor in the models before – a control for the number of involved municipalities in a merger project is included. This ‘switch’ is logical. While the number of involved municipalities cannot matter for the launch of a merger project by definition, the number of neighbours does not play any role anymore for the implementation of a merger. The potential merger partners have already found each other, and an increase or a decrease in the number of neighbours cannot be expected to influence the probability of a merger implementation.

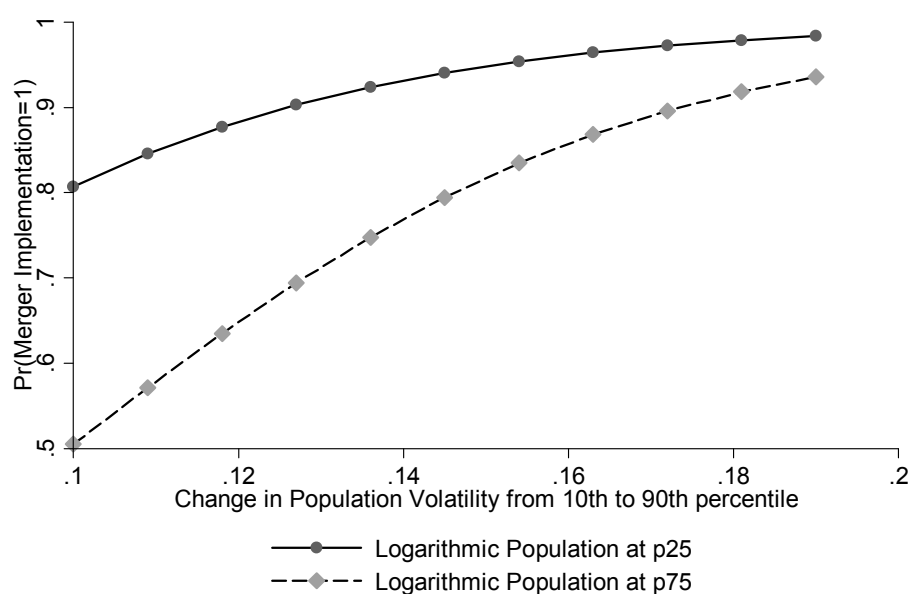
<sup>18</sup> It might capture some of the unobserved difficulties a municipality faces, see above.



people by and large remain the same (very small coefficients and very poor significance levels), the coefficient for population volatility made a substantive turnaround and significantly gained in size and significance. The effect of the indicator is now in line with the theoretical expectations; the higher the level of volatility in a municipality, the higher its probability to implement a projected merger.

This effect is illustrated for model 3 in figure 4. Here, we can see the change in the predicted probability for a merger implementation when population volatility varies from the 10<sup>th</sup> to the 90<sup>th</sup> percentile. Furthermore, this change is depicted for two levels of the logarithmic population, whereas all the other variables are held constant at their means.<sup>19</sup> As one can see, the impact of population volatility is particularly strong for municipalities with rather big populations. For small sized municipalities on the other hand, the positive effect of population volatility on the probability of merger implementation is smaller, yet still quite substantive.<sup>20</sup>

**Figure 3: Population Volatility and Merger Implementation**



Notes: Own Calculations; Data Source: Department of Municipalities of the Canton Fribourg (2013); Department of Statistics of the Canton Fribourg (2013a; 2013b)

However, all in all, population volatility is an important predictor for the probability to implement a merger. This means, that at least one of the three indicators for the strength of identity yields significant results that support hypothesis H<sub>2</sub>. While citizens' identification with their municipality does not matter for the launch of a merger project, it seems to matter to some extent for its implementation.

<sup>19</sup> The average probability to implement a merger when all variables are held constant at their means amounts to 90 percent.

<sup>20</sup> This points to a potential interaction effect between these two variables. However, a re-estimation of model 3 in table 2 with an interaction term did not yield any significant results.

These results render evident that the separation of a merger process into different stages is important for the understanding of municipal mergers. The two dependent variables that stand for subsequent stages of a merger process are explained by different factors. This suggests that apparently different pathways lead to these two different outcomes. Push factors seem to be relevant pre-eminently for the launch of a merger project. In contrast, pull factors seem to come into play only at the ballots, when the decision on the implementation is made.

### **Discussion**

The findings suggest that *structural* factors – such as a municipality's financial situation or a potential contribution a group of municipalities receives – play an important role for the launch of a merger project. They can be understood as triggers or push factors for the beginning of a merger process (Calciolari et al. 2013: 580; Dafflon 2003a: 11f.). However, when we want to explain the final stage of a merger process – namely its implementation at the ballots by the affected citizens – structural determinants miss the target.

A potential explanation for this finding lies in the *dominant actors* in the different stages of a merger process. At the early stages – finding potential merger partners, negotiating the terms, planning a project – the 'ordinary' citizen normally plays a subordinate role (Ladner/Steiner 2005: 251; Kettiger 2004: 8; Ladner 2009: 62; Nelles 2012: 13f.). The leading character in this phase is the municipality's 'elite' – representatives and officials – together with external experts. It is only in the last stage of a merger process – when the implementation decision is taken at the ballots – that voters become the decisive actors. This shift in relevance is important, since the rationales of these two actors in the assessment of the situation might differ (cf. Horber-Papazian 2006: 251).

In the initial phases, the elite might be driven by 'rational' and functional reasons (or output considerations in general) – such as profiting from economies of scale, keeping tax rates low and enhancing efficiency. Representatives and officials are the ones with the most direct experience of potential pressures for good public service- and high policy implementation quality. Accordingly, their main concern with municipal mergers probably lies in these economic aspects. Citizens, by contrast, might have a slightly different preference ordering. The findings suggest that identitarian issues might be more important for their decision. Similarly, certain *situational* factors that are difficult to incorporate into a quantitative analysis – such as long-standing animosities and conflicts between two municipalities – potentially play a more important role for them (cf. Ladner 2001: 14-16).

An additional but related explanation for the irrelevance of structural factors in the implementation stage lies in the *relationship* between citizens and elite. Several authors

highlight the important role of municipal officials and representatives as promoters for merger projects (Kettiger 2004: 8; Rühli 2012: 124; Steiner/Kaiser 2013: 145). Before the ballot takes place, they have to lobby for the project among the voters. They present the different benefits a merger might have. Thus, normally citizens receive their information from their representatives. If they acknowledge the criteria according to which a merger project is evaluated, they will follow the official's recommendations and will not try to evaluate the situation themselves. This acknowledgement in turn might have a lot to do with the levels of trust citizens have in their representatives (cf. Uslaner 2002; Ladner 2005: 109-112). When representatives are perceived as trustworthy and as advocates of the 'general good', their proposals will be met with benevolence – maybe even if personal preferences initially point into a different direction. Municipalities, in which inter-personal trust among citizens and representatives is high, might thus be more prone to implement a merger project. Potentially, this line of reasoning is an additional explanation for the finding that citizens in small municipalities accept municipal mergers more often. Small local jurisdictions are often associated with higher levels of social capital (Oliver 2000). Residents are more likely to know each other personally, which increases the probability of frequent interactions or engagement in a local association (Ladner/Bühlmann 2007: 95). These interactions are again very important for the generation of inter-personal trust.

The present paper shows that the separate analysis of different stages of a merger process can deepen our understanding of the reasons for success and failure of municipal mergers. It seems that encouragement strategies of higher government tiers via financial incentives can exert a positive influence on the probability of launching merger project; at this stage, economic concerns are at the center of attention. However, the potential of these policies to exert system-wide influence on the implementation of municipal mergers seems to be limited. The findings suggest that efforts in the promotion of municipal mergers should not only rely on financial contributions. The latter might predominantly depict an incentive for local elites to initiate a merger project. Yet, citizens seem to be less attracted by these economic considerations. To raise the chances of implementation, higher government tiers might, thus, want to invest in more intensive consultation and support of local project leaders and representatives in the promotion of a merger project (cf. Rühli 2012: 136).

## V. Conclusion

This paper investigated a wave of municipal mergers in the canton of Fribourg between 2000 and 2006. It started out with the question about the conditions under which municipalities engage in mergers. The primary goal of the paper was to assess, whether the explanatory power of a number of determinants varies with the different stages of a merger process.

The findings suggest that indeed different rationales dominate the different stages. While *structural* factors – like financial difficulties – perform very well as explanations for the launch of a merger project, they are poor predictors for its subsequent implementation. Instead, there are indications that citizens' identification with their place of residence influences the probability for merger implementation. Structural factors are less well equipped to explain merger implementation. At this stage of the process, *situational* factors – like the behaviour of municipal officials or historical conflicts between municipalities – are presumably better predictors for the success or the failure of a merger project. A potential explanation for these findings lies in the varying importance of different actors and their rationales in the two different stages. While local elites play the crucial role in the initiation of a merger project, the voters enter the stage when it comes to the decision on the implementation of a merger project (Ladner/Steiner 2005: 251; Kettiger 2004: 8).

However, a first limitation of the present study is that it cannot test these explanations for the different findings in more detail, due to its quantitative set-up and its focus on rather structural determinants. Especially the dynamics between the launch of a project and its subsequent implementation need closer examination. Thus, to gain a more detailed picture of local merger processes, a more 'actor-centred' view would probably be helpful.

A second limitation is the focus on an institutional context that depicts a rather extreme case. This limits the generalizability of the results of the present study. The case of Fribourg between 2000 and 2006 is not a very typical case for voluntary mergers. This means that the size of the effects cannot be generalized; only the more fundamental relationships between different variables may be observed in other local government systems too. Nevertheless, one could expect similar mechanisms in other Swiss cantons and also in other countries, such as Japan or Finland (Yamada 2012; Saarimaa/Tukiainen 2014).

Future research can therefore make several contributions. First, in order to integrate structural and actor-centred approaches, nested analysis approaches that assess the issue both quantitatively and qualitatively might be beneficial (Rohlfing 2008). In addition, scholars can also engage in a more in-depth theorizing and exploration of the causal pathways that explain the different stages in a merger process. The present binary distinction between merger project

and merger implementation can be seen as a first proposition to be tested, altered and extended by other scholars in different contexts.

## Appendix

**Table A.1: Operationalization and Data Sources**

Variables	Measure- ment Level	Data Source
<b>Dependent Variables</b>		
<i>Merger Project (=1)</i>	Dichotomous	Department of Municipalities of the Canton Fribourg (2013) <a href="http://www.fr.ch/scom/de/pub/fusion/scom_fusions.htm">http://www.fr.ch/scom/de/pub/fusion/scom_fusions.htm</a>
<i>Merger Implementation (=1)</i>	Dichotomous	Department of Municipalities of the Canton Fribourg (2013) <a href="http://www.fr.ch/scom/de/pub/fusion/scom_fusions.htm">http://www.fr.ch/scom/de/pub/fusion/scom_fusions.htm</a>
<b>Independent Variables<sup>1</sup></b>		
<i>Financial Difficulties</i>		
Financial Capacity Index	Continuous	Department of Statistics of the Canton Fribourg (2013a) <a href="http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm">http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm</a>
Debt/Capita	Continuous	Department of Statistics of the Canton Fribourg (2013a) <a href="http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm">http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm</a>
<i>Identification</i>		
Commuters/Total Workforce <sup>2</sup>	Continuous	Department of Statistics of the Canton Fribourg (2013a) <a href="http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm">http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm</a>
Population Volatility	Continuous	Department of Statistics of the Canton Fribourg (2013a) <a href="http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm">http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm</a>
% Population ≥ 65 years <sup>2</sup>	Continuous	Department of Statistics of the Canton Fribourg (2013a) <a href="http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm">http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm</a>
<i>Controls</i>		
Number of Neighbours	Continuous	Department of Statistics of the Canton Fribourg (2013b) <a href="http://www.fr.ch/sstat/de/pub/kartographie/karten_kantons.htm">http://www.fr.ch/sstat/de/pub/kartographie/karten_kantons.htm</a>
Merger Project Involved > 2 Municipalities (=1)	Dichotomous	Department of Municipalities of the Canton Fribourg (2013) <a href="http://www.fr.ch/scom/de/pub/fusion/scom_fusions.htm">http://www.fr.ch/scom/de/pub/fusion/scom_fusions.htm</a>
Population Size	Continuous	Department of Statistics of the Canton Fribourg (2013a) <a href="http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm">http://www.fr.ch/sstat/de/pub/statistisches_jahrbuch.htm</a>

Notes: <sup>1</sup> If not indicated otherwise, data is from the year 1999.

<sup>2</sup> Data is from the Swiss population census of the year 2000.

**Table A.2: Descriptive Statistics**

	N	Mean	P50	P25	P75	SD	Min	Max
Merger Project (=1)	245	.54	1	0	1	.49	0	1
Merger Implementation (=1)	135	.84	1	1	1	.36	0	1
Merger Project Involved > 2 Municipalities (=1)	135	.63	1	0	1	.48	0	1
Number of Neighbours	245	4.77	5	4	6	1.85	0	11
Log. Population <sup>1</sup>	245	6.14	6.08	5.50	6.79	1.06	3.87	10.36
Financial Capacity	245	88.27	83.50	77.34	92.91	21.92	55.95	235.50
Debt / Capita	245	-2747	-2885	-4848	-827	4508	-21448	27853
Commuters / Total Working Population <sup>2</sup>	239	.66	.68	.62	.73	.10	.29	.88
Population Volatility	245	.14	.14	.11	.16	.04	.05	.29
% Population ≥ 65 years <sup>2</sup>	239	12.90	12.77	10.42	15	3.45	6.52	26.59

Notes: Own Calculations; Data Source: Department of Statistics of the Canton Fribourg (2013a; 2013b), Department of Municipalities of the Canton Fribourg (2013); P50=median, P25=25<sup>th</sup> percentile, P75=75<sup>th</sup> percentile, SD=Standard Deviation.

<sup>1</sup> Logarithm is taken in order to normalize distributions

<sup>2</sup> Values for these two indicators are from the year 2000, which leads to the exclusion of 6 municipalities

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